

Republic of the Philippines
SUPREME COURT
Manila

THIRD DIVISION

G.R. No. L-55665 February 8, 1989

DELTA MOTOR CORPORATION, petitioner,
vs.

EDUARDA SAMSON GENUINO, JACINTO S. GENUINO, Jr., VICTOR S. GENUINO, HECTOR S. GENUINO, EVELYN S. GENUINO, and The COURT OF APPEALS, respondents.

Alcasid, Villanueva & Associates for petitioner.

Luna, Puruganan, Sison & Ongkiko for respondents.

CORTES, J.:

Petitioner, through this petition for review by certiorari, appeals from the decision of respondent appellate court in CA-G.R. No. 59848-R entitled "Eduarda Samson Genuino, et al. v. Delta Motor Corporation" promulgated on October 27, 1980.

The facts are as follows:

Petitioner Delta Motor Corporation (hereinafter referred to as Delta) is a corporation duly organized and existing under Philippine laws.

On the other hand, private respondents are the owners of an iceplant and cold storage located at 1879 E. Rodriguez Sr. Avenue, Quezon City doing business under the name "España Extension Iceplant and Cold Storage."

In July 1972, two letter-quotations were submitted by Delta to Hector Genuino offering to sell black iron pipes. T

The letter dated July 3, 1972 quoted Delta's selling price for 1,200 length of black iron pipes schedule 40, 2" x 20' including delivery at P66,000.00 with the following terms of payment:

- a. 20% of the net contract price or P13,200.00 will be due and payable upon signing of the contract papers.
- b. 20% of the net contract price or P13,200.00 will be due and payable before commencement of delivery.
- c. The balance of 60% of the net contract price or P39,600.00 with 8% financing charge per annum will be covered by a Promissory Note bearing interest at the rate of 14% per annum and payable in TWELVE (12) equal monthly installment (sic), the first of which will become due thirty (30) days after the completion of delivery. Additional 14% will be charged for all delayed payments. [Exh. "A"; Exh. 1.]

The second letter-quotation dated July 18, 1972 provides for the selling price of 150 lengths of black iron pipes schedule 40, 1 1/4" x 20' including delivery at P5,400.00 with the following terms of payment:

- a. 50% of the net contract price or P 2,700.00 will be due and payable upon signing of the contract papers.
- b. 50% of the net contract price or P 2,700.00 will be due and payable before commencement of delivery. [Exh. "C"; Exh. "2".]

Both letter-quotations also contain the following stipulations as to delivery and price offer:

DELIVERY

Ex-stock subject to prior sales.

xxx xxx xxx

Our price offer indicated herein shall remain firm within a period of thirty (30) days from the date hereof. Any order placed after said period will be subject to our review and confirmation. [Exh. "A" and "C"; Exhs. "I" and "2".]

Hector Genuino was agreeable to the offers of Delta hence, he manifested his conformity thereto by signing his name in the space provided on July 17, 1972 and July 24, 1972 for the first and second letter-quotations, respectively.

It is undisputed that private respondents made initial payments on both contracts — for the first contract, P13,200.00 and, for the second, P2,700.00 — for a total sum of P15,900.00 on July 28, 1972 (Exhs. "B" and "D").

Likewise unquestionable are the following. the non-delivery of the iron pipes by Delta; the non-payment of the subsequent installments by the Genuinos; and the non-execution by the Genuinos of the promissory note called for by the first contract.

The evidence presented in the trial court also showed that sometime in July 1972 Delta offered to deliver the iron pipes but the Genuinos did not accept the offer because the construction of the ice plant building where the pipes were to be installed was not yet finished.

Almost three years later, on April 15, 1975, Hector Genuino, in behalf of España Extension Ice Plant and Cold Storage, asked Delta to deliver the iron pipes within thirty (30) days from its receipt of the request. At the same time private respondents manifested their preparedness to pay the second installment on both contracts upon notice of Delta's readiness to deliver.

Delta countered that the black iron pipes cannot be delivered on the prices quoted as of July 1972. The company called the attention of the Genuinos to the stipulation in their two (2) contracts that the quoted prices were good only within thirty (30) days from date of offer. Whereupon Delta sent new price quotations to the Genuinos based on its current price of black iron pipes, as follows:

P241,800.00 for 1,200 lengths of black iron pipes schedule 40, 2" x 20' [Exh. "G-1".]

P17,550.00 for 150 lengths of black iron pipes schedule 40, 1 1/4" x 20' [Exh. "G-2".]

The Genuinos rejected the new quoted prices and instead filed a complaint for specific performance with damages seeking to compel Delta to deliver the pipes. Delta, in its answer prayed for rescission of the contracts pursuant to Art. 1191 of the New Civil Code. The case was docketed as Civil Case No. Q-20120 of the then Court of First Instance of Rizal, Branch XVIII, Quezon City.

After trial the Court of First Instance ruled in favor of Delta, the dispositive portion of its decision reading as follows:

WHEREFORE, premises considered, judgment is rendered:

1. Declaring the contracts, Annexes "A" and "C" of the complaint rescinded;
2. Ordering defendant to refund to plaintiffs the sum of P15,900.00 delivered by the latter as downpayments on the aforesaid contracts;
3. Ordering plaintiffs to pay defendant the sum of P10,000.00 as attorney's fees; and,
4. To pay the costs of suit. [CFI Decision, pp. 13-14; Rollo, pp. 53-54.]

On appeal, the Court of Appeals reversed and ordered private respondents to make the payments specified in "Terms of Payment — (b)" of the contracts and to execute the promissory note required in the first contract and thereafter, Delta should immediately commence delivery of the black iron pipes.* [CA Decision, p. 20; Rollo, p. 75.]

The Court of Appeals cited two main reasons why it reversed the trial court, namely:

1. As Delta was the one who prepared the contracts and admittedly, it had knowledge of the fact that the black iron pipes would be used by the Genuinos in their cold storage plant which was then undergoing construction and therefore, would require sometime before the Genuinos would require delivery, Delta should have included in said contracts a deadline for delivery but it did not. As a

matter of fact neither did it insist on delivery when the Genuinos refused to accept its offer of delivery. [CA Decision, pp. 16-17; Rollo, pp. 71-72.]

2. Delta's refusal to make delivery in 1975 unless the Genuinos pay a price very much higher than the prices it previously quoted would mean an amendment of the contracts. It would be too unfair for the plaintiffs if they will be made to bear the increase in prices of the black iron pipes when they had already paid quite an amount for said items and defendant had made use of the advance payments. That would be unjust enrichment on the part of the defendant at the expense of the plaintiffs and is considered an abominable business practice. [CA Decision, pp. 18-19; Rollo, pp. 73-74.]

Respondent court denied Delta's motion for reconsideration hence this petition for review praying for the reversal of the Court of Appeals decision and affirmance of that of the trial court.

Petitioner argues that its obligation to deliver the goods under both contracts is subject to conditions required of private respondents as vendees. These conditions are: payment of 20% of the net contract price or P13,200.00 and execution of a promissory note called for by the first contract; and payment of 50% of the net contract price or P2,700.00 under the second contract. These, Delta posits, are suspensive conditions and only upon their performance or compliance would its obligation to deliver the pipes arise [Petition, pp. 9-12; Rollo, pp. 1720.] Thus, when private respondents did not perform their obligations; when they refused to accept petitioner's offer to deliver the goods; and, when it took them three (3) long years before they demanded delivery of the iron pipes that in the meantime, great and sudden fluctuation in market prices have occurred; Delta is entitled to rescind the two (2) contracts.

Delta relies on the following provision of law on rescission:

Art. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.

The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.

The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period.

This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with articles 1385 and 1388 and the Mortgage Law.

In construing Art. 1191, the Supreme Court has stated that, "[r]escission will be ordered only where the breach complained of is substantial as to defeat the object of the parties in entering into the agreement. It will not be granted where the breach is slight or casual." [Phil. Amusement Enterprises, Inc. v. Natividad, G.R. No. L-21876, September 29, 1967, 21 SCRA 284, 290.] Further, "[t]he question of whether a breach of a contract is substantial depends upon the attendant circumstances." [Universal Food Corporation v. Court of Appeals, G. R. No. L-29155, May 13, 1970, 33 SCRA 1, 18].

In the case at bar, the conduct of Delta indicates that the Genuinos' non-performance of its obligations was not a substantial breach, let alone a breach of contract, as would warrant rescission.

Firstly, it is undisputed that a month after the execution of the two (2) contracts, Delta's offer to deliver the black iron pipes was rejected by the Genuinos who were "not ready to accept delivery because the cold storage rooms have not been constructed yet. Plaintiffs (private respondents herein) were short-funded, and did not have the space to accommodate the pipes they ordered" [CFI Decision, p. 9; Rollo, p. 49].

Given this answer to its offer, Delta did not do anything. As testified by Crispin Villanueva, manager of the Technical Service department of petitioner:

Q You stated that you sent a certain Evangelista to the España Extension and Cold Storage to offer the delivery subject matter of the contract and then you said that Mr. Evangelista reported (sic) to you that plaintiff would not accept delivery, is that correct, as a summary of your statement?

A A Yes, sir.

Q Now, what did you do in the premises (sic)?

A Yes, well, we take the word of Mr. Evangelista. We could not deliver the said black iron pipes, because as per information the Ice Plant is not yet finished.

Q Did you not report that fact to ... any other defendant-officials of the Delta Motor Corporation?

A No.

Q And you did not do anything after that?

A Because taking the word of my Engineer we did not do anything. [TSN, December 8, 1975, pp. 18-19.]

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And secondly, three (3) years later when the Genuinos offered to make payment Delta did not raise any argument but merely demanded that the quoted prices be increased. Thus, in its answer to private respondents' request for delivery of the pipes, Delta countered:

Thank you for your letter dated April 15, 1975, requesting for delivery of Black Iron pipes;

We regret to say, however, that we cannot base our price on our proposals dated July 3 and July 18, 1972 as per the following paragraph quoted on said proposal:

Our price offer indicated herein shall remain firm within a period of thirty (30) days from the date hereof. Any order placed after said period will be subject to our review and confirmation.

We are, therefore, enclosing our re-quoted proposal based on our current price. [Exh. "G".]

Moreover, the power to rescind under Art. 1191 is not absolute. *"[T]he act of a party in treating a contract as cancelled or resolved on account of infractions by the other contracting party must be made known to the other and is always provisional, being ever subject to scrutiny and review by the proper court."* [University of the Phils. v. De los Angeles, G. R. No. L-28602, September 29, 1970, 35 SCRA 102, 107; Emphasis supplied.]

In the instant case, Delta made no manifestation whatsoever that it had opted to rescind its contracts with f-he Genuinos. It only raised rescission as a defense when it was sued for specific performance by private respondents.

Further, it would be highly inequitable for petitioner Delta to rescind the two (2) contracts considering the fact that not only does it have in its possession and ownership the black iron pipes, but also the P15,900.00 down payments private respondents have paid. And if petitioner Delta claims the right to rescission, at the very least, it should have offered to return the P15,900.00 down payments [See Art. 1385, Civil Code and Hodges v. Granada, 59 Phil. 429 (1934)].

It is for these same reasons that while there is merit in Delta's claim that the sale is subject to suspensive conditions, the Court finds that it has, nevertheless, waived performance of these conditions and opted to go on with the contracts although at a much higher price. Art. 1545 of the Civil Code provides:

Art. 1545. Where the obligation of either party to a contract of sale is subject to any condition which is not performed, such party may refuse to proceed with the contract or he may waived performance of the condition. . . . [Emphasis supplied.]

Finally, Delta cannot ask for increased prices based on the price offer stipulation in the contracts and in the increase in the cost of goods. Reliance by Delta on the price offer stipulation is misplaced. Said stipulation makes reference to Delta's price offer as remaining firm for thirty (30) days and thereafter, will be subject to its review and confirmation. The offers of Delta, however, were accepted by the private respondents within the thirty (30)-day period. And as stipulated in the two (2) letter-quotations, acceptance of the offer gives rise to a contract between the parties:

In the event that this proposal is acceptable to you, please indicate your conformity by signing the space provided herein below which also serves as a contract of this proposal. [Exhs. "A" and "C"; Exhs. "1" and "2".]

And as further provided by the Civil Code:

Art. 1319. Consent is manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the contract.

Art. 1475. The contract of sale is perfected at the moment there is a meeting of minds upon thing which is the object of the contract and upon the price.

Thus, the moment private respondents accepted the offer of Delta, the contract of sale between them was perfected and neither party could change the terms thereof.

Neither could petitioner Delta rely on the fluctuation in the market price of goods to support its claim for rescission. As testified to by petitioner's Vice-President of Marketing for the Electronics, Airconditioning and Refrigeration division, Marcelino Caja, the stipulation in the two (2) contracts as to delivery, *ex-stock subject to prior sales*, means that "the goods have not been delivered and that *there are no prior* commitments other than the sale covered by the contracts.. . once the offer is accepted, the company has no more option to *change the price*." [CFI Decision, p. 5; Rollo, p. 45; Emphasis supplied.] Thus, petitioner cannot claim for higher prices for the black iron pipes due to the increase in the cost of goods. Based on the foregoing, petitioner Delta and private respondents Genuinos should comply with the original terms of their contracts.

WHEREFORE, the decision of the Court of Appeals is hereby AFFIRMED.

SO ORDERED.

Fernan, C.J., Gutierrez, Jr., Feliciano and Bidin, JJ., concur.

Footnotes

* The Court of Appeals decision was penned by Justice German. Justice de la Fuente wrote a separate concurring opinion. Justice Cenzon concurred both with Justice German's decision and Justice de la Fuente's opinion. Justice Gancayco, however, wrote a separate dissenting opinion to which Justice Patajo concurred.